



Indiana Economic Development Corporation

October 1, 2009

Carol Cutter  
Commissioner  
Indiana Department of Insurance

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Dear Commissioner Cutter:

Pursuant to IC 4-22-2-28, the Indiana Economic Development Corporation ("IEDC") has reviewed the economic impact analysis for small business associated with rule changes proposed by the Indiana Department of Insurance ("IDOI") contained in LSA Document 09-376. The proposed rule amends various sections of 760 IAC 1-78 and will improve the IDOI's surveillance of the financial condition of insurers by requiring an annual audit of financial statements reporting the financial position and the results of operations of insurers by independent certified accountants, requiring communication of internal control over financial reporting. The proposed rule is based upon a model regulation adopted by the National Association of Insurance Commissioners ("NAIC"). This model regulation must be effective in each state by December 31, 2009, in order for Indiana to maintain its accreditation with NAIC. States that fail to maintain NAIC accreditation will subject their domestic insurers to financial examinations from each of the other NAIC accredited states.

The proposed rule will impact insurance companies doing business in Indiana and writing more than \$1,000,000 in insurance premiums. Insurers doing business in other states are already required to comply with this rule in other states, so this proposed rule will not affect multistate insurers. Certified public accountants will also be impacted by this rule.

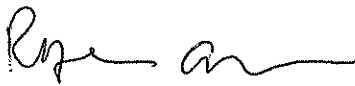
The small business impact statement provided by IDOI indicates that there is one insurance company that meets the definition of small business and could be affected by this rule. The IDOI's records indicate that there are 9,457 certified public accountants (CPA) and 1,190 accounting firms in the state of Indiana. The number of CPAs and accounting firms that meets the definition of a small business is unknown from available data.

Cost that would be incurred as a result of the proposed rule could occur from additional reporting required from an audit on financial reports with IDOI commissioner annually by insurance companies. The total economic impact of this proposed rule is \$1,000 or less, which would only be incurred if during the course of the required audit, the CPA notes unremediated material weaknesses in its internal control over financial reporting. If there are none, insurers would not incur these costs. There are no additional reporting, recording, or administrative costs that will be incurred by small businesses as a result of this rule.

The IEDC does not object to the economic impact to small businesses associated with this proposed rule. The cost to small business as a result of the proposed rule is nominal and will not be incurred if there are no issues found to be in need of remediation from the required audit. As noted above, the proposed rule is necessary to maintain Indiana's NAIC accreditation and to ensure that Indiana's insurers are not subject to financial examination from other states.

If you have any questions about the comments contained herein please contact me at 232-8962 or [rasberry@iedc.in.gov](mailto:rasberry@iedc.in.gov).

Regards,

A handwritten signature in black ink, appearing to read 'Ryan Asberry', with a long horizontal flourish extending to the right.

Ryan Asberry  
Assistant Vice President